

AGENDA ITEM:



Report For:	Cabinet
Date of Meeting:	Cabinet 4 February 2019
Part:	Part 1 - Open Report with Part 2 Appendices
If Part 2, reason:	Para 3 - Information about the financial or business affairs of any particular person (including the authority holding that information).

Title of Report:	CAPITAL STRATEGY
Cabinet Member:	Councillor David Watson
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Wards affected:	All
Reason for the Decision:	<ol style="list-style-type: none"> 1. This report includes: <ol style="list-style-type: none"> (i) The Capital Strategy (ii) The Capital Programme 2018/19-2023/24 (iii) The Treasury Management Strategy. 2. To comply with the Local Government Act 2003, other regulations and guidance and to ensure that the Council's investment plans are prudent, affordable, sustainable. 3. The Capital Strategy is a new requirement under the revised CIPFA Prudential Code 2018 with a requirement for full implementation in 2019/20. The purpose of the Capital Strategy is to drive the authority's capital investment ambition, whilst also ensuring appropriate capital expenditure, capital financing and treasury management in the context of the sustainable, long term delivery of services. Full Council is required to agree the Capital Strategy annually and to review and amend it as necessary in the event of a significant change in circumstances. 4. The Cabinet approves a Capital Budget each year to invest in the Council's key priorities as set out in the Corporate Plan.

Proposed Recommendation:	<p>Cabinet is requested to recommend to Council to:</p> <ul style="list-style-type: none"> a) approve the Capital Strategy at Appendix 1; b) approve the Minimum Revenue Provision Policy Statement at Appendix 1a; c) approve the Capital Programme for 2018/19 to 2023/24 totalling £134.3m as summarised in Table 1; d) approve the Treasury Management Strategy and Prudential and Treasury Indicators in Appendix 3; and e) approve the Treasury Management Practice at Appendix 3A.
Sustainable Community Strategy/Council Priorities - Implications	<p>The key risks with the delivery of the capital programme are set out in paragraph 22 in the main body of the report</p> <p>Equalities: EIAs are carried out on all schemes before scheme is given full authorisation to spend</p>
Monitoring Officer/ S.151 Officer Comments	<p>Monitoring Officer: Legal and governance arrangements are set out within the report.</p> <p>S.151 Officer: All financial implications have been included in the report.</p>
Consultees:	Budget Task and Finish Group has been consulted on the Capital Programme.
Options:	1.1 A number of options regarding capital investment have already been considered as part of the prioritisation and review process with portfolio holders and officers resulting in a programme which meets the Council's aims and vision.
Next Steps:	1.2 Approval by Council
Background Papers:	<ol style="list-style-type: none"> 1. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended. 2. DCLG Guidance on Minimum Revenue Provision 2018. 3. DCLG Guidance on Local Government Investments – March 2018. 4. CIPFA Prudential Code for Capital Finance in Local Authorities, 2017 edition. 5. CIPFA Treasury Management Code of Practice, 2017 edition.

Appendices to this report are as follows:

Appendix 1 Capital Strategy

Appendix 2 Capital Programme 2018/19 – 2023/24

Appendix 3 Treasury Management Strategy

1 Executive Summary

- 1.1 This report incorporates the Council's Capital Strategy, the Capital Programme including new capital proposals for the period 2018-19 to 2023-24, and the Treasury Management Annual Strategy Report for 2019-20.
- 1.2 The reports above have been presented separately in previous years, but are now being presented together linking investment both in terms of treasury management and assets. The aim is to avoid duplication between the reports, and to strengthen the link between capital spending and the treasury management function.
- 1.3 Full details of the Capital Strategy, Capital programme and the Treasury Management Strategy are set out in the attached Appendices.

2 Capital strategy

- 2.1 The Capital Strategy is a new requirement under the revised CIPFA Prudential Code 2018. CIPFA have also revised the Code of Practice on Treasury Management ('TM Code'), alongside the revision to the Prudential Code.
- 2.2 Full Council is required to agree the Capital Strategy annually and will review and amend it as necessary in the event of a significant change in circumstances.
- 2.3 Key changes to the Prudential and TM Codes are:
 - development of a capital strategy (linking both the codes)
 - high level context setting and strategy with key indicators
 - confirms the codes applies to all investments (treasury and non-treasury)
 - non treasury investments need to be discussed separately in the report
 - recognition that for non-treasury investments the principle of placing security and liquidity above yield may not be appropriate in all cases but decisions should be explicit
 - coverage of group and combined authorities
 - encouragement of local indicators
 - change in some Prudential Indicators
- 2.4 The Department for Communities and Local Government (DCLG) have also revised their Investment Guidance (last revised in March 2010) and the MRP Guidance (last revised in 2012). The 2010 Guidance was very focused on investments in financial institutions, and as authorities are now increasingly investing in non-financial assets, they need to be brought into the scope of the Guidance. The Guidance retains the requirement for an Investment Strategy to be prepared at least annually and approved by Full Council.
- 2.5 The aim of the Capital strategy is to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Council also needs to demonstrate that it sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 2.6 The Capital Strategy is set out in Appendix 1.

3 The Capital Programme

- 3.1 The Council has an ambitious Corporate Plan, and in order to achieve the targets within the Plan, we need to invest in our assets and infrastructure. The Capital budget sets out the programme of capital expenditure and the sources of funding of that expenditure.
- 3.2 A comprehensive and rigorous process has been undertaken in determining the Capital budget, totalling £134.3m over the 6 year period. A key principle has been that the Council will not resort to borrowing to fund capital expenditure and this has been achieved as set out in Table 1 below.

Table 1 Capital Spending and Funding

Table 1	2018/19 Forecast £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	Total £m
Expenditure General Fund	21.6	51.8	25.3	25.1	10.3	0.3	134.3
Funding:							
Grants & Contributions	(7.2)	(15.8)	(7.0)	(12.4)	(3.7)	-	(46.0)
Capital Receipts	-	(24.5)	(17.6)	(12.3)	(6.1)	(0.3)	(60.8)
Revenue Financing	(14.3)	(11.5)	(0.6)	(0.4)	(0.6)	-	(27.5)
Total	(21.6)	(51.8)	(25.3)	(25.1)	(10.3)	(0.3)	(134.3)

- 3.3 The detailed report covering the Capital Programme is set out in Appendix 2.

4 Treasury Management Strategy

- 4.1 The Local Government Act 2003 requires the Council to set out a statement of its Treasury Management Strategy. This sets out the Council's policies for managing its borrowings and investments and for giving priority to the security and liquidity of those investments.
- 4.2 The Council defines its treasury management activities as:
- 'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*
- 4.3 The Council manages on average £80m treasury investments and does not have any borrowing. The detailed report covering how the Treasury activities and associated risks along with Treasury Management Strategy, Indicators and Treasury Management Practice are set out in Appendix 3.